



**Legislators' Retirement System  
Actuarial Valuation  
as of  
June 30, 2005**

**Establishing Required Contributions  
for the Fiscal Year  
July 1, 2006 through June 30, 2007**

## **Table of Contents**

<b>Actuarial Certification</b>	<b>1</b>
<b>Highlights and Executive Summary</b>	
Purpose of the Report	3
Actuarially Required Employer Contributions	3
Changes Since Prior Valuation	3
Three Year History of Liabilities and Assets	5
Comparison of Current and Prior Year Results	5
<b>Supporting Exhibits</b>	
Summary of Liabilities and Required Contributions	
Development of Actuarially Required Employer Contributions	7
Summary of Assets	
Asset Allocation	9
Reconciliation of Assets (Market Value)	9
Development of the Actuarial Value of Assets	10
Summary of Member Data	
Reconciliation of Members	12
Distribution of Active Members by Age and Service	13
Distribution of Average Annual Salaries by Age and Service	14
Distribution of Vested Terminated Members by Age and Service	15
Summary of Retirees and Beneficiaries	16
Distribution of Retirees by Age and Retirement Type (counts only)	17
Distribution of Retirees by Age and Retirement Type	18
Distribution of Retirees by Years and Retirement Type (counts only)	19
Distribution of Retirees by Years and Retirement Type	20
<b>Appendix A</b> Actuarial Assumptions and Methods	<b>A-1</b>
<b>Appendix B</b> Summary of Principal Plan Provisions	<b>B-1</b>

**May 16, 2006**

### **Actuarial Certification**

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the actuarial funded condition of the Legislators' Retirement System. Based on the employee data provided by the CalPERS Judges', Legislators' and Volunteer Firefighters' Office, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits as outlined in Appendix B, it is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and that the assumptions and methods are reasonable for the System.



David Clement, A.S.A., E.A., M.A.A.A.  
Associate Pension Actuary, CalPERS



Ron Seeling, Ph.D., F.C.A., A.S.A., M.A.A.A.  
Enrolled Actuary  
Chief Actuary, CalPERS

## **Highlights and Executive Summary**

Purpose of the Report

Actuarially Required Employer Contributions

Changes Since Prior Valuation

Three-Year History of Liabilities and Assets

Comparison of Current and Prior Year Results

## **Purpose of the Report**

This actuarial valuation of the Legislators' Retirement System was performed by the CalPERS Actuarial Office using data as of June 30, 2005 in order to:

- establish the actuarially required contributions of the System for the fiscal year July 1, 2006 through June 30, 2007;
- disclose the funded status of the System;
- set forth the actuarial assets and funding liabilities of this plan as of June 30, 2005;
- measure the financial security of the System;
- provide actuarial information as of June 30, 2005 to the CalPERS Board of Administration and other interested parties.

Use of this report for other purposes may be inappropriate.

In preparing this actuarial valuation, the CalPERS Actuarial Office relies upon information provided by CalPERS' Fiscal Services Division and the CalPERS Judges', Legislators' and Volunteer Firefighters' Office. Asset figures provided in this report includes accounts receivable. The CalPERS Actuarial Office assumes that all assets are accruing interest at the actuarially assumed rate.

In accordance with the Political Reform Act of 1990 (Proposition 140), Senators and Members of the Assembly first elected after November 7, 1990 participate in the Federal Social Security program and in no other retirement system. Therefore, the only members currently able to enter the system are Constitutional Officers and Legislative Statutory Officers.

## **Actuarially Required Employer Contributions**

The actuarially required employer contributions for the fiscal year July 1, 2006 through June 30, 2007 is \$0.

The Legislators' Retirement System is superfunded for fiscal year June 30, 2006 to June 30, 2007. By definition, "superfunded" is when the plan's actuarial value of assets exceeds the present value of future benefits for current members.

## **Changes Since Prior Valuation**

**Actuarial Methods** – No changes were made since the prior valuation.

**Actuarial Assumptions and Data** – To more accurately model the benefits being administered by LRS, changes were made to the assumptions and data used by the Actuarial Valuation System (AVS) with respect to the benefits payable to some of the beneficiaries of legislators. We changed the following assumptions: 1) Age of Spouse – Female spouses are assumed to be 4 (previously 3) years younger than male spouses. 2) Normal Form of

Payment for legislators— the normal form of payment is assumed to be a 100% (previously 80%) Joint and Survivor Annuity for members of the legislature. The CalPERS Judges', Legislators' and Volunteer Firefighters' Office provided additional information regarding beneficiary benefit amounts. The present value of benefits decreased \$2.9 million due to these combined changes.

**Plan Provisions** - No changes were made since the prior valuation.

**Subsequent Events** - A lawsuit against CalPERS regarding alleged past due payments totaling approximately \$8 million is pending. The administrative hearing in this case concluded on March 1, 2006 and the parties are currently awaiting issuance of the Proposed Decision by the Administrative Law Judge. Regardless of the outcome, the LRS plan is expected to continue to be superfunded.

### Three-Year History of Liabilities and Assets

<u>Valuation Date</u>	<u>Present Value of Benefits</u>	<u>Actuarial Value of Assets</u>
June 30, 2005	\$107,449,624	\$139,248,807
June 30, 2004	\$107,436,125	\$138,984,167
June 30, 2003	\$108,369,228	\$137,426,576

### Comparison of Current and Prior Year Results

Shown below is the comparison of key valuation results for the current valuation date to the corresponding values from the prior valuation date.

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
<b>Members Included in the Valuation</b>		
Active Members	17	14
Vested Terminated Members	39	34
Receiving Benefits	<u>275</u>	<u>279</u>
<b>Total</b>	331	327
<b>Covered Payroll Prior Fiscal Year</b>	\$ 2,156,484	\$ 1,777,308
<b>Projected Covered Annual Payroll</b>	\$ 2,188,677	\$ 1,802,963
<b>Average Annual Pay</b>	\$ 126,852	\$ 126,951
<b>Present Value of Benefits at Valuation Date</b>		
Active and Vested Terminated Members	\$ 21,802,775	\$ 20,836,874
Receiving Benefits	<u>85,633,350</u>	<u>86,612,750</u>
<b>Total</b>	\$ 107,436,125	\$ 107,449,624
<b>Market Value of Assets</b>	\$ 134,588,126	\$ 138,094,730
<b>Actuarial Value of Assets</b>	\$ 138,984,167	\$ 139,248,807
<b>Contributions in Dollars</b>	\$ 0	\$ 0

# **Summary of Liabilities and Required Contributions**

## **Development of Actuarially Required Employer Contributions**



## Development of Actuarially Required Employer Contributions

1. Present Value of Benefits as of the Valuation Date	
a. Active Members	\$ 10,176,785
b. Vested Terminated Members	10,660,089
c. Receiving Benefits	<u>86,612,750</u>
d. Total	\$ 107,449,624
2. Actuarial Value of Assets as of the Valuation Date	\$ 139,248,807
3. Present Value of Total Required Contributions [(1) – (2), but not less than zero]	\$ 0
4. Amortization Factor *	13.27767
5. Total Required Contributions for Fiscal Year 2006-2007 $[(1+i) \times (3) / (4)]^{**}$	\$ 0
6. Expected Employee Contributions for Fiscal Year 2006-2007	\$ 0
7. Required Employer Contributions for Fiscal Year 2006-2007 [(5) – (6)]	\$ 0

\* The amortization factor is the present value of a \$1 payment, per year, for 30 years. Since the plan has assets in excess of the present value of benefits, the resulting required employer contribution will be zero regardless of the amortization factor used.

\*\* i is the investment return assumption.

## **Summary of Assets**

Asset Allocation

Reconciliation of Assets (Market Value)

Development of the Actuarial Value of Assets

**Asset Allocation**  
**As of June 30, 2005**  
**(Dollars in Thousands)**

Investments at Market Value	
General Cash	\$ 875
Short Term Investments	0
Equity Securities	
Domestic	40,622
International	13,178
U.S. Government Debt Securities	<u>84,264</u>
Subtotal	\$138,064
Accounts Receivable	\$ 30
Accounts Payable	\$ (874)
Market Value of Funds	\$138,095

**Reconciliation of Assets (Market Value)**  
**As of June 30, 2005**

	<b><u>Market Value</u></b>
Beginning Balance as of June 30, 2004	\$ 134,588,126
Contributions	
Member Contributions	19,687
Employer Contributions	0
Disbursements and Refunds	(8,770,885)
Administrative Expenses	(318,547)
Other Expenses or Credits	0
Investment Earnings	12,576,349
Ending Balance as of June 30, 2005	\$ 138,094,730

**Development of the Actuarial Value of Assets  
Using 80% to 120% Asset Corridor & 15 Year Smoothing**

**June 30, 2005**

1. Actuarial Value of Assets as of June 30, 2004	\$ 138,984,167
2. Contributions Received	
Member Contributions	19,687
State Contributions	<u>0</u>
Total Additions	\$ 19,687
3. Deductions	
Benefit Payments and Refunds	(8,770,885)
Administrative Expenses	(318,547)
Other	<u>0</u>
Total Deductions	\$ (9,089,432)
4. Total Additions Minus Total Deductions	\$ (9,069,745)
5. Expected Investment Return $[(1) \times .0700 + (4) \times (1.0700^{1/2} - 1)]$	9,416,820
6. Expected Actuarial Value of Assets as of June 30, 2005 $[(1) + (4) + (5)]$	\$ 139,331,241
7. Market Value of Assets as of June 30, 2005	\$ 138,094,730
8. One-Fifteenth of the Difference Between Market Value of Assets and Expected Actuarial Value of Assets $[(7) - (6)] \times 1/15$	<u>(82,434)</u>
9. Preliminary Actuarial Value of Assets $[(6) + (8)]$	\$ 139,248,807
10. Ratio of Preliminary Actuarial Value of Assets over Market Value of Assets $[(9) / (7)]$	100.84%
11. Final Actuarial Value of Assets as of June 30, 2005	\$ 139,248,807

## **Summary of Member Data**

Reconciliation of Members

Distribution of Active Members by Age and Service

Distribution of Average Annual Salaries by Age and Service

Distribution of Vested Terminated Members by Age and Service

Summary of Retirees and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type (counts only)

Distribution of Retirees and Beneficiaries by Age and Retirement Type

Distribution of Retirees and Beneficiaries by Years and Retirement Type (counts only)

Distribution of Retirees and Beneficiaries by Years and Retirement Type

**Reconciliation of Members  
For the Fiscal Year Ending June 30, 2005**

	<b>Actives</b>	<b>Inactive</b>	<b>Retirees and Beneficiaries</b>	<b>Total</b>
<b>As of June 30, 2004</b>	17	39	275	331
1. New Entrants	0	0	7	7
2. Rehires	1	0	(1)	0
3. Refunds	(1)	(2)	0	(3)
4. Retirements	(1)	(5)	6	0
5. Disabilities	0	0	0	0
6. Vested Terminations	(2)	2	0	0
7. Community Property Splits	0	0	0	0
8. Death with Beneficiary	0	0	(3)	(3)
9. Death without Beneficiary	0	0	(5)	(5)
<b>As of June 30, 2005</b>	<b>14</b>	<b>34</b>	<b>279</b>	<b>327</b>

**Distribution of Active Members  
Attained Age and Years of Service  
As of June 30, 2005**

Attained Age	--Years of Service at Valuation Date--						Total	Valuation Payroll
	0-4	5-9	10-14	15-19	20-29	30+		
15-24	0	0	0	0	0	0	0	\$0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	1	0	0	0	0	1	131,244
45-49	1	1	0	0	0	0	2	248,304
50-54	0	2	0	1	1	0	4	532,920
55-59	0	2	0	1	0	1	4	526,848
60-64	0	0	0	1	1	0	2	238,992
65+	0	0	0	1	0	0	1	99,000
<b>Total</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>14</b>	<b>\$1,777,308</b>

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Distribution of Average Annual Salaries by Age and Service  
As of June 30, 2005**

Attained Age	--Years of Service at Valuation Date--							Average Salary
	0-4	5-9	10-14	15-19	20-24	25-29	30 & Up	
15-19	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	131,244	0	0	0	0	0	131,244
45-49	133,332	114,972	0	0	0	0	0	124,152
50-54		132,288	0	131,244	137,100	0	0	133,230
55-59	0	149,574	0	94,284	0	0	133,416	131,712
60-64	0	0	0	99,000	139,992	0	0	119,496
65 & Up	0	0	0	99,000	0	0	0	99,000
<b>All Ages</b>	<b>\$ 133,332</b>	<b>\$ 134,990</b>	<b>\$ 0</b>	<b>\$ 105,882</b>	<b>\$ 138,546</b>	<b>\$ 0</b>	<b>\$ 133,416</b>	<b>\$ 126,951</b>



**Distribution of Vested Terminated  
Members by Age and Service  
As of June 30, 2005**

<b>Attained</b>	<b>--Years of Service at Valuation Date--</b>								<b>Average</b>
<b>Age</b>	<b>0-4</b>	<b>5-9</b>	<b>10-14</b>	<b>15-19</b>	<b>20-24</b>	<b>25-29</b>	<b>30 &amp; Up</b>	<b>Totals</b>	<b>Salary</b>
15-19	0	0	0	0	0	0	0	0	\$ 0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	1	0	0	0	0	0	1	99,000
45-49	0	2	0	0	0	0	0	2	101,184
50-54	1	2	3	0	0	1	0	7	83,685
55-59	2	4	3	0	1	0	0	10	73,121
60-64	1	3	2	0	1	1	0	8	69,678
65 & Up	2	4	0	0	0	0	0	6	25,838
<b>Totals</b>	<b>6</b>	<b>16</b>	<b>8</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>34</b>	<b>\$ 68,554</b>

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

**Summary of Retirees and Beneficiaries  
Number Counts and Benefits  
By Year of Retirement  
As of June 30, 2005**

Year Retired	Total Retirees	Total Benefits	Average Benefits
2005	2	\$19,416	\$9,708
2004	6	310,817	51,803
2003	3	30,084	10,028
2002	7	456,929	65,276
2001	3	82,690	27,563
2000	7	410,807	58,687
1999	4	136,723	34,181
1998	14	278,767	19,912
1997	5	133,809	26,762
1996	21	850,395	40,495
1995	4	193,662	48,416
1994	12	327,017	27,251
1993	3	66,077	22,026
1992	16	419,878	26,242
1991	9	365,272	40,586
1990	6	157,183	26,197
1989	7	94,306	13,472
1988	3	66,969	22,323
1987	8	307,450	38,431
1986	8	164,259	20,532
1985	6	151,990	25,332
1984	13	191,546	14,734
1983	1	18,122	18,122
1982	11	196,053	17,823
1981	5	69,600	13,920
1980	11	289,592	26,327
1979	18	93,647	5,203
1978	3	69,575	23,192
1977	5	105,756	21,151
1976	12	293,626	24,469
1975	8	175,438	21,930
1974 & Earlier	38	933,321	24,561
<b>Totals</b>	<b>279</b>	<b>\$7,460,775</b>	<b>\$26,741</b>

**Distribution of Retirees and Beneficiaries  
By Age and Retirement Type (counts only)  
As of June 30, 2005**

Type of Retirement Benefit							
Age	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 30	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0
40-44	3	0	0	0	0	0	3
45-49	6	0	0	0	0	0	6
50-54	14	0	0	0	0	0	14
55-59	12	0	0	0	0	0	12
60-64	29	0	0	0	0	0	29
65-69	37	0	0	0	0	0	37
70-74	33	2	0	0	0	0	35
75-79	50	0	0	0	0	0	50
80-84	51	1	0	0	0	0	52
85 and Over	39	2	0	0	0	0	41
Total	274	5	0	0	0	0	279

**Distribution of Retirees and Beneficiaries  
By Age and Retirement Type  
As of June 30, 2005**

Retiree Age	Type of Retirement Benefit						Total	
	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement		
		Non-industrial	Industrial	Non-industrial	Industrial			
Under 30	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	32,040	0	0	0	0	0	0	32,040
45-49	70,066	0	0	0	0	0	0	70,066
50-54	401,156	0	0	0	0	0	0	401,156
55-59	265,263	0	0	0	0	0	0	265,263
60-64	495,006	0	0	0	0	0	0	495,006
65-69	1,037,441	0	0	0	0	0	0	1,037,441
70-74	991,126	50,656	0	0	0	0	0	1,041,782
75-79	1,532,080	0	0	0	0	0	0	1,532,080
80-84	1,352,144	105,293	0	0	0	0	0	1,457,436
85 and Over	1,091,995	36,510	0	0	0	0	0	1,128,505
<b>Total Benefits</b>	<b>\$7,268,317</b>	<b>\$192,458</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$7,460,775</b>

**Distribution of Retirees and Beneficiaries  
By Years Retired and Retirement Type (counts only)  
As of June 30, 2005**

Type of Retirement Benefit								
Years Retired	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	Total	
		Non-industrial	Industrial	Non-industrial	Industrial			
Under 5	26	0	0	0	0	0	26	
5-9	48	0	0	0	0	0	48	
10-14	46	0	0	0	0	0	46	
15-19	31	1	0	0	0	0	32	
20-24	39	1	0	0	0	0	40	
25-29	40	1	0	0	0	0	41	
30 and Over	44	2	0	0	0	0	46	
Total	274	5	0	0	0	0	279	

**Distribution of Retirees and Beneficiaries  
By Years Retired and Retirement Type  
As of June 30, 2005**

Years Retired	Type of Retirement Benefit						Total
	Service Retiree	Disability Retiree		Death In Service		Death After Service Retirement	
		Non-industrial	Industrial	Non-industrial	Industrial		
Under 5	\$1,266,026	\$0	\$0	\$0	\$0	\$0	\$1,266,026
5-9	1,529,936	0	0	0	0	0	1,529,936
10-14	1,401,971	0	0	0	0	0	1,401,971
15-19	794,198	10,517	0	0	0	0	804,715
20-24	709,714	28,083	0	0	0	0	737,798
25-29	506,278	105,293	0	0	0	0	611,570
30 and Over	1,060,193	48,566	0	0	0	0	1,108,759
Total Benefits	\$7,268,317	\$192,458	\$0	\$0	\$0	\$0	\$7,460,775

# **Appendix A**

## **Actuarial Assumptions and Methods**

## **Actuarial Assumptions and Methods**

**Investment Return (Interest)** - 7.00% compounded per year, net of expenses.

**Individual Salary Increases** - 3.25% compounded per year.

**Inflation** - 3.00% compounded per year.

**Percentage Married** - 90%

**Age of Spouse** – Female spouses are assumed to be 4 years younger than male spouses.

**Administrative Expenses** - .25% of end of year assets.

**Retirement** – Active members are assumed to retire immediately at the end of their term limit, if eligible.

**Retirement Age** - The maximum retirement age was assumed to be age 60, except for participants who would not meet the service requirements at age 60 or are older than age 60. Retirement for these participants was assumed to occur at the age when the service requirements were met or when their term limits expires, whichever is later.

**Normal Form of Payment** - The normal form of payment is assumed to be an 100% Joint and Survivor Annuity for all members of the Legislature. While the normal form is a 50% Joint and Survivor Annuity for this group, it is valued as an 100% Joint and Survivor Annuity to reflect employer subsidies used in the calculation of other optional benefit forms available to the member. The normal form of payment for all Constitutional and Legislative Statutory Officers is assumed to be a straight life annuity.

**Mortality Rates After Leaving Active Participation** – For healthy lives and disabled lives – 1994 Group Annuity Mortality Table, published and recorded in the Transactions of the Society of Actuaries.

### **Probabilities of Decrement for Active Participants**

**Vested Withdrawal** – Sample vested withdrawal rates are shown in the following table.

**Death** – 1994 Group Annuity Mortality Table for Males and Females, published and recorded in the Transactions of the Society of Actuaries.

**Disability** – Sample disability rates are shown in the following table.

**Non-vested Withdrawal** – Sample rates for non-vested withdrawal are shown in the following table.



For each 1,000 active participants at the age shown, the following number will leave within a year on account of:

<b>Age</b>	<b>Vested Withdrawal</b>	<b>Disability</b>	<b>Non-Vested Withdrawal</b>
30	50.0	0.1	25.0
35	50.0	0.2	25.0
40	50.0	0.7	20.0
41	50.0	0.8	15.0
42	40.0	0.9	15.0
43	40.0	1.0	15.0
44	40.0	1.1	15.0
45	40.0	1.2	15.0
46	40.0	1.3	15.0
47	40.0	1.5	15.0
48	40.0	1.7	15.0
49	40.0	1.9	15.0
50	40.0	2.2	15.0
51	40.0	2.5	5.0
52	40.0	3.0	0.0
53	40.0	3.6	0.0
54	40.0	4.3	0.0
55	40.0	5.0	0.0
56	40.0	5.8	0.0
57	40.0	6.7	0.0
58	40.0	7.5	0.0
59	40.0	8.4	0.0
60	40.0	9.5	0.0

For those members subject to a term limit, the Vested Withdrawal assumption is 100% at the end of the term limit.

**Valuation Date** - Liabilities are calculated as of June 30<sup>th</sup>. Data is collected as of June 30<sup>th</sup>, and is supplied by CalPERS' Judges', Legislators' and Volunteer Firefighters' Office.

**Purchase of Non-Contributory Service** - Current active and non-retired inactive members are assumed to have purchased 100% of all non-contributory service as a member of the Legislature, as a Constitutional Officer other than a Judge, or as a Legislative Statutory Officer. Contributions made for the purchase of non-contributory service are based on their current or final compensation.

**Method of Funding** - The method used in determining the required employer contribution is the "aggregate" cost method. Under the aggregate funding method, the required employer contribution is determined as the amount needed to amortize the difference between: 1) the present value of benefits and 2) the sum of the actuarial value of assets and the present value of future member contributions. Both 1 and 2 are determined as of the valuation date.

**Actuarial Value of Assets** - In order to dampen the effect of short term market value fluctuations on employer contribution rates, the following asset smoothing technique is used. The expected actuarial value of assets is computed by bringing forward the prior year's actuarial value of assets, increased by the contributions received and decreased by the benefits paid during the year at the assumed actuarial rate of return. The actuarial value of assets is then set equal to the expected actuarial value of assets increased by one-fifteenth of the difference between the actual market value of assets and the expected actuarial value of assets as of the valuation date. If the expected actuarial value of assets is determined to be less than 80% or greater than 120% of the market value of assets, then the actuarial value of assets will be set to either 80% or 120% of the market value of assets for valuation purposes, respectively.

**Internal Revenue Code Section 415** – The limitations on benefits imposed by Internal Revenue Code Section 415 were not taken into account in this valuation. The effect of these limitations has been deemed immaterial on the overall results of this valuation.

## **Appendix B**

### **Summary of Principal Plan Provisions**

## Summary of Principal Plan Provisions

**Name** - Legislators' Retirement System.

**Effective Date** - Effective 1947 by Chapter 879, Statutes of 1947.

**Authorization** - This System is authorized by the Legislators' Retirement Law. The System was first established by Chapter 879, Statutes of 1947. The Legislators' Retirement Law is contained in Sections 9350 through 9378 of the Government Code. Section 9354 of the Code established the Legislators' Retirement Fund.

**Administration of Plan** - Administration is by the Board of Administration of the California Public Employees' Retirement System.

**Eligibility for Membership** - Members of the Legislature, all Constitutional Officers upon filing an election, the Insurance Commissioner, and all Legislative Statutory Officers including the Chief Clerk of the Assembly, the Secretary of the Senate, the Sergeant-at-Arms of the Assembly, and the Sergeant-at-Arms of the Senate.

**Plan Year** - The twelve-month period ending June 30th.

**Credited Service** - The period of time computed in years and fractions thereof as a member of the Senate or Assembly, as an elective officer of the state, while employed by the Senate or Assembly, or up to a year while in the Armed Forces or Merchant Marines. Service is credited only for the period of time that a member contributes to this System. For the purpose of crediting service, one regular session of the Legislature shall constitute two calendar years and a full term shall constitute four calendar years.

### **Contributions may be made for Prior Service:**

**Members of the Legislature and Constitutional Officers** - 4% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972. Contributions may be made at any time up to benefit commencement date, provided the individual elected to join the system while in service. No interest is charged on contributions made after the applicable service is performed.

**Legislative Statutory Officers** - 6 1/2% of compensation if elected before March 4, 1972 and 8% of compensation if elected after March 4, 1972.

**State Contributions** – Per Section 9358 of the Legislators' Retirement System Law which was amended as a result of Assembly Bill 817, Chapter 897, Statutes of 1999, the State now contributes the actuarially required employer contribution rate determined by the Annual Actuarial Valuation as of June 30th.

**Compensation** - Compensation means remuneration paid in cash out of funds controlled by the state, excluding mileage, reimbursement for expenses incurred in the performance of official duties, and any per diem allowance paid in lieu of such expenses.

**Eligibility for an Unreduced Service Retirement Allowance** - A member is eligible for an unreduced service retirement allowance provided the member has satisfied all of the following requirements:

- The member has attained the age of 60 years and has completed 4 or more years of credited service or
- The member has completed 20 or more years of credited service.
- Legislative Statutory Officers are eligible upon the attainment of age 55 years regardless of the number of years of credited service.

**Amount of the Unreduced Service Retirement Allowance** - The monthly normal retirement benefit equal to the following:

**Members of the Legislature** - 3% of the highest monthly compensation multiplied by the years of credited service plus 2% of the first \$500 of monthly compensation multiplied by the years of credited service up to 15 years with a maximum benefit of 66 2/3% of the highest monthly compensation.

**Constitutional Officers** - 5% of the highest monthly compensation multiplied by the years of credited service up to 8 years plus (if the member has 24 or more years of credited service) 1 2/3 % of monthly compensation multiplied by the years of credited service in excess of 8 years, not to exceed 12 years of credited service. The maximum percentage of compensation is 60% of highest monthly compensation.

**Legislative Statutory Officers** - 3% of the highest monthly compensation multiplied by the years of credited service. The allowance may not exceed 66 2/3% of the greater of the member's compensation at the time the member vacates the office or the compensation of the incumbent of that office at the time the payments of the allowance fall due.

**Cost-of-Living Increases** - All benefits are subject to the full cost-of-living adjustment from the benefit commencement date based on the United States city average of the Consumer Price Index for all Urban Consumers. Compensation rates are not adjusted for increases in the incumbent's compensation after the member leaves office.

**Normal Form of Service Retirement Allowance** – For Legislators a 50% Joint Survivor Annuity, for Constitutional Officers a Single Straight Life Annuity, and for Legislative Statutory Officers a Single Straight Life Annuity.

**Eligibility for a Reduced Early Retirement Allowance** - A member, other than a Legislative Statutory Officer is eligible for a reduced early retirement allowance benefit provided that the member has completed 15 or more years of credited service regardless of age. Legislative Statutory Officers are not eligible for a reduced early retirement allowance.

**Amount of Reduced Early Retirement Allowance** - The monthly reduced early retirement is the unreduced service retirement allowance reduced 2% for each year by which the member's age at the time of retirement is below age 60. Reduction Factors are shown for ages 50 to 59 in the table below.

<b>Age at Retirement</b>	<b>% of Service Retirement Benefit Paid</b>	<b>Age at Retirement</b>	<b>% of Service Retirement Benefit Paid</b>
59	.98	54	.88
58	.96	53	.86
57	.94	52	.84
56	.92	51	.82
55	.90	50	.80

**Forms of Retirement Allowance Payments:**

- Optional Settlement 1. Single Life Annuity, with the payment of the balance of the member's contributions at the death of the member to the member's beneficiary.
- Optional Settlement 2. 100% Joint and Survivor Annuity.
- Optional Settlement 3. 50% Joint and Survivor Annuity.
- Optional Settlement 4. Subject to the approval of the Board of Administration, a member may select other benefits that are the actuarial equivalent of his/her retirement allowance.
- Members of the Legislature. The member's retirement allowance is unreduced due to the selection of any of the above optional settlements.

**Eligibility for a Disability Allowance** - All members are eligible and there are no minimum age or service requirements. A medical examination may be required if the applicant is below the minimum age for Service or Early Retirement.

**Amount of Disability Allowance** - The disability allowance is the same as the service retirement allowance that would be payable to the member if the member had retired for reasons other than disability.

**Eligibility for Pre-Retirement Death Allowance** - All members are eligible for a Pre-Retirement Death Allowance.

**Amount of Pre-Retirement Death Allowance:**

**Prior to eligibility for Service or Early Retirement** - Refund of the member's contributions with interest plus one-twelfth of the member's annual compensation during the last 12 months in office immediately preceding the member's death multiplied by the member's years of credited service.

**Subsequent to eligibility for Service or Early Retirement** - If the member had elected an optional settlement before death, the surviving spouse will receive the same benefit the surviving spouse would have received had the member's retirement preceded death. If the member had not elected an optional settlement, then the surviving spouse would receive the same benefits had the member elected Optional Settlement 2, a 100% Joint and Survivor Annuity, retired and then died.

**Eligibility for Special Survivor Allowance** - The surviving spouse who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18 or if there is not a spouse with these responsibilities, the guardian who has the care of unmarried children under the age of 18 or unmarried incapacitated children if over the age of 18. In the case where there are no incapacitated children, but a surviving spouse, a deferment age of 62 is required before receiving a benefit. In the case where there is not a surviving spouse or guardian, the dependent parents of the member are eligible and shall be paid the Survivor's Allowance once the age of 62 is attained. This allowance is payable only if the member is not covered by Social Security.

**Amount of Special Survivor Allowance:**

Survivor	Monthly Allowance
Spouse or One Child	\$ 180
Spouse and One Child or Two Children	\$ 360
Spouse and Two Children or Three Children	\$ 430

Benefit payments under this provision are reduced by any other survivor benefits under any other provision under this System.

**In-Service Death Allowance** - In addition to any benefits paid, the beneficiary of a member who died while in office or employed as a Legislative or Statutory Officer will receive an allowance equal to the member's compensation during the 12 months immediately preceding the member's death.

**Post Retirement Death Benefit** – Upon the death of a retiree, a one-time lump sum payment of \$600 will be made to the retiree's designated survivor(s), or to the retiree's estate.